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To Federal Open Market Committee

May 6, 1965

From Alan R. Holmes

Subject: Third Country Acceptances
Held by Federal Reserve
Bank of New York

In connection with the Committee's review of third country acceptance financing, the Federal Reserve Bank of New York has arranged for the preparation of a semimonthly breakdown of its holdings of bankers' acceptances by type of transaction. These figures will be included regularly in the current Weekly Report to the Committee and will provide a means of following, on a continuing basis, the proportion of our holdings that represents the financing of third country trade. The first such tabulation, as of April 30, 1965, is shown in attached Table I. On that date, third country acceptances comprised about 48 per cent of the Reserve Bank's combined holdings of acceptances for own and foreign accounts, roughly equal to the ratio of third country acceptances to total bankers' acceptances outstanding on March 31, 1965 as shown in the latest Monthly Survey by this Bank.

In addition, a special analysis was made of the Reserve Bank's holdings of third country acceptances as of Friday, April 23, 1965. The results, shown in attached Table II, are compared with a similar breakdown obtained as of February 19, 1965, shortly after the Voluntary Credit Restraint Program was initiated.

As expected, over 70 per cent of the total third country acceptances held on the two dates shown represented the financing of Japanese trade, mainly with countries in underdeveloped areas, i.e., other than Europe. Only 1.5 and 2.0 per cent represented trade between European countries on these two dates, respectively, and approximately 11 per cent represented trade between other countries (mainly Latin America) and Europe. The remainder (about 15 per cent on February 19 and 18 per cent on April 23) was created to finance trade between countries elsewhere than Japan or Europe, i.e., those in Central and South America, Canada, and the Middle and Far East.

Attachments.

Table I

Holdings of Bankers' Acceptances by
Federal Reserve Bank of New York Close of April 30, 1965
By Type of Underlying Transaction
(In Thousands of Dollars)

<u>Classification</u>	<u>Own Account</u>		<u>Foreign Account</u>		<u>Total</u>		<u>Total Acceptances Outstanding March 31, 1965</u>	
	<u>Amount</u>	<u>Per Cent</u>	<u>Amount</u>	<u>Per Cent</u>	<u>Amount</u>	<u>Per Cent</u>	<u>Amount</u>	<u>Per Cent</u>
Imports	14,151	26.3	34,552	24.9	48,703	25.3	724,845	21.8
Exports	12,882	23.9	35,470	25.5	48,352	25.1	923,907	27.8
Domestic Storage	643	1.2	948	0.7	1,591	0.8	13,391	0.4
Goods stored in or shipped between foreign countries	25,574	47.4	66,405	47.8	91,979	47.7	1,622,116	48.8
Dollar Exchange	500	0.9	1,100	0.8	1,600	0.8	31,440	0.9
Domestic Shipment	<u>173</u>	<u>0.3</u>	<u>473</u>	<u>0.3</u>	<u>646</u>	<u>0.3</u>	<u>8,886</u>	<u>0.3</u>
Totals	53,925	100.0	138,950	100.0	192,875	100.0	3,324,585	100.0

Note: Figures are rounded and do not necessarily add exactly to totals.

Table II

Federal Reserve Bank of New York
 Holdings of Acceptances Financing
 Shipments Between Foreign Countries
 (In Thousands of Dollars)

<u>Countries Involved in Underlying Transactions</u>	<u>February 19, 1965</u>				<u>April 23, 1965</u>			
	<u>Own Account</u>	<u>Foreign Account</u>	<u>Total</u>	<u>Per cent of Total</u>	<u>Own Account</u>	<u>Foreign Account</u>	<u>Total</u>	<u>Per cent of Total</u>
Japan and Europe	596	1,554	2,150	3.1	611	1,821	2,432	2.9
Japan and Others	14,496	33,860	48,356	69.5	15,057	41,213	56,270	66.3
Europe and Europe	143	830	973	1.4	274	1,452	1,726	2.0
Europe and Others	2,474	4,989	7,463	10.7	2,000	7,109	9,109	10.8
All Others	<u>3,812</u>	<u>6,805</u>	<u>10,617</u>	<u>15.3</u>	<u>4,548</u>	<u>10,753</u>	<u>15,301</u>	<u>18.0</u>
Totals	21,521	48,038	69,559	100.0	22,490	62,348	84,838	100.0
Total Holdings All Types of Bankers' Acceptances	55,197	118,896	174,093		54,835	137,955	192,790	